Saskatchewan
Finance

Annual Report 1998-99

Saskatchewan Public Employees Pension Plan

100-04495/

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His Honour, The Honourable J. E. N. Wiebe, KStJ
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Sir:

Letter of Transmittal

I have the honour to transmit herewith the twenty-second Annual Report of the Public Employees Pension Plan, formerly the Public Employees (Government Contributory) Superannuation Plan, for the fiscal year ended March 31, 1999.

I have the honour to be, Sir,

Your obedient servant,

Eric Cline
Minister in Charge
Public Employees Pension Plan

Saskatchewan
Public Employees
Benefits Agency

The Honourable Eric Cline
Minister in Charge
Public Employees Pension Plan
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Pension Board of the Public Employees Pension Plan, I have the honour to present herewith the twenty-second Annual Report of the Public Employees Pension Plan, formerly the Public Employees (Government Contributory) Superannuation Plan, for the fiscal year ended March 31, 1999.

Respectfully submitted,

Pension Board
Public Employees Pension Plan

Brian Smith
Chairman

INTRODUCTION

The Public Employees (Government Contributory) Superannuation Plan was established by section 38 of *The Superannuation (Supplementary Provisions) Act*. Effective July 1, 1997 the plan is continued as the Public Employees Pension Plan under sub section 7(1) of *The Public Employees Pension Plan Act*.

The Plan was established for permanent employees hired on or after October 1, 1977, by the Government of Saskatchewan and other participating public sector employers. As well, employees covered by *The Public Service Superannuation Act, The Saskatchewan Power Superannuation Act, The Saskatchewan Telecommunications Superannuation Act, The Liquor Board Superannuation Act*, and *The Workmen's Compensation Board Superannuation Act* were given the opportunity to transfer to the Public Employees Pension Plan prior to October 1, 1978.

Non-permanent employees of participating employers were given the option to join the pension Plan in 1981, with participation becoming mandatory effective October 1, 1998.

OVERVIEW

The following overview of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

The Plan is comprised of the Balanced Fund and the Pre-Retirement Fund. The Pre-Retirement Fund began operations July 1, 1998. Both funds are defined contribution funds.

The Balanced Fund receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The Balanced Fund holds bonds, equities, real estate, mortgages and short term investments. The Balanced Fund's mandate is to provide long term capital appreciation for members. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

The Pre-Retirement Fund (PRF) receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to all members. The PRF holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

Members of the plan contribute 5% of their regular earnings to the plan. The members' employer contributes a matching amount. Other contribution formulas can be negotiated by agreement.

Effective July 1, 1997, member contributions are locked-in and the employer share vested after one year of membership in the Plan.

Locked-in means that if the member terminates employment, the member's contributions must be paid to the member in the form of a pension benefit. Vested means that the employer contributions made on behalf of the member also must be used to provide the member with a pension benefit.

Until they are eligible to purchase a pension benefit, terminated members who are locked-in and vested may leave the money in the Plan or may transfer their money to a Locked-in Retirement Account (LIRA).

Terminated members who are not locked-in and vested may request a cash refund of employee contributions together with accrued investment earnings.

The normal age of retirement is age 65 years. However, members may retire and purchase a pension benefit as early as age 55 years with one year of pensionable service, or any time after 35 years participation in the plan. Members must purchase a pension benefit prior to the end of the calendar year in which the member turns age 69.

Members use employee and employer contributions plus accrued investment earnings to purchase a pension benefit. The three ways a member can convert their Public Employees Pension Plan

(PEPP) account into pension income are:

i) purchase an annuity from the Saskatchewan Pension Annuity Fund formerly the Public Employees Annuity Fund or from an entity authorized to underwrite annuities,

ii) purchase a Locked-in Retirement Income Fund (LRIF), or

iii) purchase a Life Income Fund (LIF).

A member may direct all or any portion of their PEPP account to one or any combination of these benefits to provide and protect their retirement income. Alternatively, a member may use their PEPP account or a Locked-in Retirement Account (LIRA) as a holding account until the member needs to convert the money into retirement income. The member, however, must purchase a pension benefit from their LIRA or PEPP account by the end of the calendar year in which they turn age 69.

If a member has a spouse, the spouse is the member's beneficiary. A spouse is the person to whom the member is legally married or if not married, is a person of the opposite sex with whom the member has lived continuously as husband and wife for at least one year, or with whom the member has had a child and continue to cohabit in a husband and wife relationship. If a member with a spouse dies prior to purchasing a pension benefit, the member's spouse may elect to purchase an immediate annuity with the member's account balance. Alternatively, the spouse may elect to receive a taxable lump sum payment, transfer the funds to a LIRA or leave the money in an account with the plan. Should the spouse predecease the member or if the member is single, the beneficiaries or estate are required to receive a taxable lump sum payment of the account balance.

A member's spouse may waive his/her right to the pre-retirement death benefit allowing the member to designate alternate beneficiaries. At the time the member purchases a retirement benefit, the member's spouse may elect to waive his or her right to any death benefits payable at the time the member dies. This allows the member to purchase a retirement benefit that does not provide a pension to the spouse upon the member's death.

If the member dies after the purchase of a pension benefit, the benefit payable to the spouse, beneficiary or estate is dependent on the type of benefit purchased.

INVESTMENT OF FUNDS

The Public Employees Pension Plan Pension Board (Pension Board) is responsible for holding in trust and investing the monies in the Fund. The Pension Board has retained Greystone Capital Management Inc., Templeton Management Ltd., TD Quantitative Capital Inc., Barclays Global Investors Canada Ltd., AMI Partners Inc., and Newcastle Capital Management as investment managers.

As at March 31, 1999 the mandate for each money manager was:

Greystone Capital Mgmt	Balanced portfolio
TD Quantitative Capital Inc.	Canadian bonds
Templeton Management Ltd.	Speciality non-North American
Barclays Global Investors	US & Canadian equity indexes
AMI Partners Inc.	Small cap Canadian equity
Newcastle Capital Mgmt	Mid cap US equity index

As at March 31, 1999 the investment managers invested the following portions of the portfolio:

BALANCED FUND

	$ 000	%
Greystone Capital Mgmt	968,253	46.06
TD Quantitative Capital Inc.	496,006	23.59
Templeton Mgmt Ltd.	184,739	8.79
Barclays Global Investors Cda Ltd.	364,012	17.31
AMI Partners Inc.	43,226	2.06
Newcastle Capital Management	46,138	2.19
	2,102,374	100.00

PRE-RETIREMENT FUND

	$ 000	%
Greystone Capital Mgmt	8,368	100.00

The investment managers make the day to day decisions of whether to buy or sell specific investments in order to achieve the long term investment performance objectives set by the Pension Board. It is these long term investment performance objectives that the Pension Board uses to assess the performance of the investment managers.

The primary long term investment performance objective for the combined portfolio is to outperform a benchmark portfolio constructed as follows:

BALANCED FUND

Asset Class	Market Index	Weight
Canadian Equities	Toronto Stock Exchange 300 Index	25%
US Equities	Standard & Poors 500 US Stock Index	15%
Non-North American	Morgan Stanley, Europe, Australia and Far East Index	15%
Real Estate	Russell Canadian Property Index	3%
Bonds	Scotia Capital Markets Universe Bond Index	40%
Short Term Inv	91 Day Canadian Treasury Bill	2%
		100%

PRE-RETIREMENT FUND

Asset Class	Market Index	Weight
Bonds	Scotia Capital Markets Short Term Bond Index	100%

The Pension Board reviews the investment performance of the fund in terms of the performance of the benchmark portfolio over rolling 4 year periods. For the four years ending March 31, 1999, the Balanced Fund had an annualized gross rate of return of 14.9%. The investment objective (the return of the benchmark portfolio) was 14.6%.

The Pre-Retirement Fund was first funded on July 7, 1998. The actual rate of return for the Fund from July 7, 1998 to March 31, 1999 was 4.1%. The target rate of return over the same period was 4.5%. The target rate of return is based on the "All Governments" portion of the Scotia Capital Markets Short Term Bond Index.

The Pension Board has retained Royal Trust as the custodian of the Plan. The custodian is responsible for custody of all financial assets of the Fund (in the name of the Public Employees Pension Plan). The custodian settles all investment transactions. The custodian also ensures that investment income (ie. dividends, interest) is collected and provides financial statements for all investment transactions.

The Pension Board engages the services of an asset consultant to provide advice on the overall management of the Plan's investments and on the measurement of the Plan's performance. James P. Marshall, Inc. provides this service to the Pension Board.

ALLOCATION OF INVESTMENT EARNINGS

Investment earnings are distributed to the members' accounts at March 31 of each year. Effective September 14, 1998, cumulative weekly rates of return are used to credit investment earnings to members who move their money out of the Fund or transfer money into the Fund. In the past, the accounts of those members who withdrew funds during the year were credited with the last declared monthly rate of return for the Fund.

The weekly rate of return will be declared using the investment earnings allocation policy established by the Pension Board of the Public Employees Pension Plan. The rate applied to the accounts of members who leave the Fund will be calculated each week based on the Fund's performance since the last year-end and will be declared as soon as practical after each weekend.

The following selected rates of return were in effect at month end during 1998-99:

April 30, 1998	14.8%	October 31, 1998	-4.5%
May 31, 1998	8.6%	November 30, 1998	1.5%
June 30, 1998	5.6%	December 31, 1998	3.9%
July 31, 1998	1.3%	January 31, 1999	5.4%
August 31, 1998	-20.3%	February 28, 1999	1.3%
September 30, 1998	-13.0%	March 31, 1999	4.0%

MEMBERSHIP STATUS

Membership at March 31, 1998		26,098
Add:		
Enrollments during the year	3,377	
Reciprocal transfers in	48	
		3,425
Less:		
Terminations refunded	238	
Death benefits paid	34	
Reciprocal transfers out	36	
Retirement annuities	91	
Lump sum payment on retirement	17	
Transfers to locked-in RRSP's	404	
Transfers to insurance companies	2	
Transfers to LIF	9	
Transfers to LRIF	27	
		858
Membership at March 31, 1999		28,665

As at March 31, 1999, 86 persons held funds in the Pre-Retirement Fund.

ADMINISTRATION OF THE PLAN

The Public Employees Benefits Agency, Saskatchewan Finance provides the day-to-day administration of the pension plan.

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund and are charged to the Public Employees Pension Plan.

The Pension Board extends its appreciation to the staff of the Public Employees Benefits Agency and to those persons within government departments, agencies and crown corporations whose co-operation and assistance during the year contributed to the continued successful operation of the plan.

Chairman
Brian Smith
Public Employees Benefits Agency

Representing Employers
Jim Graham
Saskatchewan Finance

Nancy Croll
Public Service Commission

Ken Christensen
Sask Power

Representing Employees
Ray Bidwell
Communications Energy and Paperworkers Union of Canada (CEP)

Kirby Sanden
International Brotherhood of Electrical Workers (IBEW)

Dan MacKay
Saskatchewan Government Employees' Union (SGEU)

INVESTMENTS

In 1998-99, the assets of the Public Employees Pension Plan were invested by Greystone Capital Management Inc., Templeton Management Ltd., Barclays Global Investors Canada Ltd., TD Quantitative Capital Ltd., AMI Partners Inc., and Newcastle Capital Management. The investment portfolio at March 31, 1999 contained the following assets:

BALANCED FUND

Type of Investment	Bonds and Debentures	Dollars of Investment at Market Value	Percentage of Investment Type in Plan
Corporate Bonds	$ 53,078,071		
Government of Saskatchewan Bonds	7,136,169		
Government of Canada Bonds	242,489,603		
Other Provincial Bonds	60,668,779		
Municipal Bonds	1,017,200		
Pooled Fixed Income Funds	496,006,076		
Total Bonds and Debentures:		$ 860,395,898	40.93%
Short Term Investments		71,396,838	3.40
Canadian Equities		302,114,672	14.37
U.S. Equities		113,197,791	5.38
Pooled Equity Funds			
Greystone - Non-North American	101,063,799		
Greystone - Emerging Market	14,437,061		
Templeton - Specialty Non-North American	183,648,440		
Barclays Cda TSE 300 Eq Index	168,099,380		
Barclays US Equity Fund	195,912,226		
Newcastle Derivatives Mid Cap	46,138,090	709,298,996	33.74
Mortgages		4,331,052	0.21
Real Estate		41,423,653	1.97
Total Investments:		$2,102,158,900	100.00%

A detailed listing of each investment as at March 31, 1999 is available upon request.

PRE-RETIREMENT FUND

Type of Investment	Bonds and Debentures	Dollars of Investment at Market Value	Percentage of Investment Type in Plan
Corporate Bonds	$ -		
Government of Saskatchewan Bonds	-		
Government of Canada Bonds	5,993,429		
Other Provincial Bonds	2,165,621		
Municipal Bonds	-		
Pooled Fixed Income Funds	-		
Total Bonds and Debentures:		$8,159,050	97.51%
Short Term Investments		208,726	2.49%
Canadian Equities		-	
Total Investments:		$8,367,776	100.00%

A detailed listing of each investment as at March 31, 1999 is available upon request.

MANAGEMENTS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

The Public Employees (Government Contributory) Superannuation Plan Supervisory Board consists of seven appointments made by the Lieutenant Governor in Council. Effective July 1, 1997 the Board continues as The Public Employees Pension Board (Pension Board). The Pension Board is comprised of a Chairman nominated by the Minister, three members representing the employees and three members representing the employers. The Pension Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Pension Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements have been examined by KPMG whose report follows.

Brian Smith
Executive Director
Public Employees Benefits Agency

Kent Walde
Director of Pension Programs
Public Employees Benefits Agency

Regina, Saskatchewan
May 26, 1999

PUBLIC EMPLOYEES PENSION PLAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999

AUDITORS' REPORT

To The Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits of the Public Employees Pension Plan as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Public Employees Pension Plan as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
May 26, 1999

STATEMENT 1

PUBLIC EMPLOYEES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT MARCH 31

(in thousands of dollars)

	1999			1998
	Balanced Fund	Pre-Retirement Fund	Total	Total
ASSETS				
Investments (Note 3)				
Short Term	$ 70,306	$ 209	$ 70,515	$ 62,270
Bonds	364,390	8,159	372,549	347,004
Equities	415,312	-	415,312	386,525
Pooled Funds	1,206,396	-	1,206,396	1,160,871
Mortgages	4,546	-	4,546	4,847
Real Estate	41,424	-	41,424	36,096
	2,102,374	8,368	2,110,742	1,997,613
Receivables				
Employees contributions	2,160	-	2,160	2,171
Employers contributions	2,228	-	2,228	2,229
Accrued investment income	6,319	75	6,394	5,735
Due from Balanced Fund	-	49	49	-
	10,707	124	10,831	10,135
Cash	335	2	337	215
Due from General Revenue Fund (Note 6)	4,427	-	4,427	1,850
Total assets	2,117,843	8,494	2,126,337	2,009,813
LIABILITIES				
Administrative expenses payable (Note 7)	783	2	785	683
Refunds, transfers and other payables	1,156	-	1,156	1,192
Due to Pre-Retirement fund	49	-	49	-
Total liabilities	1,988	2	1,990	1,875
NET ASSETS AVAILABLE FOR BENEFITS	$2,115,855	$8,492	$2,124,347	$2,007,938

See accompanying notes to the financial statements.

STATEMENT 2

PUBLIC EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)

	1999			1998
	Balanced Fund	Pre-Retirement Fund	Total	Total
INCREASE IN ASSETS				
Investment income				
Interest	$ 57,831	$ 298	$ 58,129	$ 53,883
Dividends	17,135	-	17,135	71,418
Mortgages	349	-	349	448
Real estate	2,680	-	2,680	2,610
Other	-	-	-	264
	77,995	298	78,293	128,623
Current period change in market value of investments	12,100	(23)	12,077	288,821
Contributions				
Employees	40,815	4,588	45,403	36,012
Employers	39,525	4,302	43,827	35,956
Reciprocal transfers in	2,610	-	2,610	2,603
	82,950	8,890	91,840	74,571
Total increase in assets	173,045	9,165	182,210	492,015
DECREASE IN ASSETS				
Administrative expenses (Note 7)	4,331	14	4,345	3,559
Transfers, refunds and benefit payments (Note 5)	51,254	659	51,913	53,269
Transfer to Annuity Fund				
Contributions	9,508	-	9,508	6,310
Interest	35	-	35	163
Total decrease in assets	65,128	673	65,801	63,301
INCREASE IN NET ASSETS	107,917	8,492	116,409	428,714
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	2,007,938	-	2,007,938	1,579,224
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$2,115,855	$8,492	$2,124,347	$2,007,938

See accompanying notes to the financial statements.

PUBLIC EMPLOYEES PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. Description of Plan

The following description of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) General

The Public Employees (Government Contributory) Superannuation Plan (Superannuation Plan) was established under Section 38 of *The Superannuation (Supplementary Provisions) Act*. Effective July 1, 1997 this Plan continues as the Public Employees Pension Plan (Plan). The Plan is a defined contribution plan that covers the employees of a number of government entities.

The Plan is comprised of the Balanced Fund and the Pre-Retirement Fund. The Pre-Retirement Fund began operations July 1, 1998. Both Funds are defined contribution funds.

The Balanced Fund receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The Balanced Fund holds bonds, equities, real estate, mortgages and short term investments. The Balanced Fund's mandate is to provide long term capital appreciation for members. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

The Pre-Retirement Fund (PRF) receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to all members. The PRF holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

b) Administration

The Supervisory Board of the Public Employees (Government Contributory) Superannuation Plan was established under Section 39 of *The Superannuation (Supplementary Provisions) Act*. Effective July 1, 1997 the Board continues as The Public Employees Pension Board (Pension Board). The Pension Board is comprised of seven members that administer the Plan. The Public Employees Benefits Agency provides day-to-day administration.

c) **Pension Fund**

The Public Employees (Government Contributory) Superannuation Fund was established by Section 41 of *The Superannuation (Supplementary Provisions) Act* to accumulate all contributions and earnings for Plan members. Effective July 1, 1997 the fund continues as the Public Employees Pension Fund (Pension Fund).

The Public Employees (Government Contributory) Annuity Fund was established by Section 43.1 of *The Superannuation (Supplementary Provisions) Act*. Effective July 1, 1997 this Fund continues as the Saskatchewan Pension Annuity Fund (Annuity Fund). The operations and the financial position of the Annuity Fund are reported separately.

d) **Retirement**

Members may retire as early as age 55, or after 35 years of service regardless of age.

Upon retirement an employee may elect to receive an annuity from the Pension Board pursuant to Section 44 of the Act, or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 69, be transferred to a Locked-in Retirement Account (LIRA) or after age 55, to a Locked-in Retirement Income Fund (LRIF), Life Income Fund (LIF) or a Life Annuity (LA) from the Plan, or be transferred to another pension plan which has a reciprocal agreement with the Plan.

For members who elect to have their retirement annuities provided by the Pension Board, the member's accumulated balance in the Pension Fund at the date of retirement is transferred to the Saskatchewan Pension Annuity Fund.

e) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan and for the employee payroll information on which benefit payments are determined.

Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

Investments

Investment in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Short term investments are valued at cost which approximates market value.

Real estate is valued at market value as estimated by independent appraisals.

Mortgages are valued by discounting the present value of all income streams accruing to the mortgage. The discount rate applied to these income streams should reflect the current market rate for comparable mortgages of a comparable term.

Pooled funds are valued based on the quoted market price of the underlying investments normally the current bid price.

The change in market value of investment during the year is reflected on the financial statements as a current period change in the market values of investments.

Fair value approximates market value of investments.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers of securities that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and or the Canadian Bond Rating Service.

Short Term Investments

Short term investments are comprised of T-Bills, notes and commercial paper with effective rates of 4.60% to 4.90% in the Balanced Fund(1998-4.4% - 5.0%), and 4.70% to 4.80% in the Pre-Retirement Fund and an average remaining term to maturity of 63 days in the Balanced Fund (1998 - 28 days) and 8 days in the Pre-Retirement Fund. The Plan's investment policy states that investments must meet a minimum investment standard of "R1" or equivalent rating and Canadian Grain companies with an "R2" rating, as rated by a recognized credit rating service.

Other than the Government of Canada, no single issue represents more than 13.38% of the market value (1998 - 12.75%) of the short term investment portfolio.

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 9% of the market value of the total portfolio may be invested in BBB rated bonds. At March 31, 1999 the Balanced Fund held 0.35% (1998 -1.17%) of its portfolio in BBB bonds.

BALANCED FUND

	1999 (000's)							1998 (000's)		
Years to Maturity	Federal	Provincial	Corporate	Municipal	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	101,783	21,006	26,752	1,017	150,558	5.47	4.38-10.00	158,215	6.88	0.00-14.75
5 - 10	24,330	33,038	18,341	-	75,709	5.83	5.50-8.75	88,367	6.32	0.00-8.75
Over 10	116,377	13,760	7,985	-	138,122	5.47	5.50-7.90	100,422	5.50	0.00-8.00
Market Value	242,490	67,804	53,078	1,017	364,390			347,004		

PRE-RETIREMENT FUND

	1999 (000's)							1998 (000's)		
Years to Maturity	Federal	Provincial	Corporate	Municipal	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	5,993	2,166	-	-	8,159	6.58	5.50-8.63	-	-	-

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. Foreign equities represent 27.26% (1998 - 27.13%) of the market value of the equity portfolio. All foreign equities are denominated in Canadian dollars. Dividends are generally declared on an annual basis. The average dividend rate is 1.91% (1998 - 2.75%).

	Market Value (In thousands of dollars)	
Balanced Fund:	1999	1998
Common shares (Canadian & Foreign)	$415,312	$385,385
Private equity	-	1,140
	$415,312	$386,525

Pooled Funds

The Plan limits its investments in pooled equity funds to 10% of the fair value of its investment portfolio. Foreign equities including foreign pooled funds, but excluding synthetic pooled funds, are limited to 20% of the cost of the investment portfolio and are denominated in Canadian dollars. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the Fund Manager. The Plan's pooled funds are comprised of:

	Market Value (in thousands of dollars)	
Balanced Fund:		
	1999	**1998**
Canadian Equity		
Barclays Global Inv Cda Ltd TSE 300	$ 168,099	$ 243,993
Newcastle Derivative Mid Cap Fund	46,138	-
Global Equity		
Greystone Emerging Market Fund	14,437	14,508
Greystone Non-North American Fund	101,064	89,824
Templeton Specialty Non-North American Fund	184,739	193,464
Fixed Income Funds		
Emerald Bond Fund	496,006	390,323
Other Canadian		
Barclay Global Inv. Synthetic US Equity Fund	195,912	228,759
	$1,206,395	$1,160,871

Newcastle Derivative Mid Cap Fund combines S&P 400 stock index futures with Canadian money market instruments to create a US equity investment, hedged into Canadian dollars. Barclay's Synthetic US Equity Fund also uses US stock index futures combined with Canadian money market instruments to create a US equity investment.

Investment income of $3,112,806 (1998 - $19,593,680) was recorded from the pooled funds managed by Greystone Capital Management Inc.

Mortgages

All mortgages are secured by Canadian commercial properties and have effective and stated interest rates of 5.8% to 10.75% (1998 - 5.7% to 11.4%) with an average remaining term of 7.27 years (1998 - 7.11 years). Principal and interest are receivable on a monthly basis.

Real Estate

Investments in real estate consist of Canadian commercial property.

Included in Real Estate are investments of $4,490,088 (1998 - $4,705,567) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

4. Earnings Allocation to Members - Pension Fund

Investment income and the current year's allocation of the change in the market values of investments is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. In 1999, an interest rate of 4.21% for the Balanced Fund(1998 - 26.04%), and 5.00% for the Pre-Retirement Fund was approved by the Pension Board for the Plan.

5. Transfers, Refunds and Benefit Payments

(in thousands of dollars)

	1999	1998
Termination refunds	$ 295	$ 418
Death and lump sum benefits	3,427	3,768
Marital transfers	1,591	2,190
Transfers to registered retirement savings plans and to private companies providing annuities	44,128	43,785
Reciprocal transfers out	1,813	3,108
	$51,254	$53,269

6. Due From General Revenue Fund

The Plan's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's thirty day borrowing rate and the Plan's bank account balance. The average 30-day borrowing rate in 1999 was 4.69% (1998 - 5.04%).

7. Administration Expenses

a) Administration

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees which are paid directly.

(in thousands of dollars)

	1999		1998	
	Budget	Actual	Budget	Actual
Administration costs	$1,660	$1,523	$1,010	$1,133
Custodial fees	275	286	220	240
Investment management fees	2,520	2,536	1,855	2,186
	$4,455	$4,345	$3,085	$3,559

b) **Investment Management Services**

Greystone Capital Management Inc. (GCMI), Templeton Management Ltd., TD Quantitative Capital Inc., Barclays Global Investors Canada Limited, Newcastle Capital Management, and AMI Partners Inc. invested the monies of the Plan during the year, under a contract to provide services.

The Pension Fund is a shareholder in GCMI along with several other Saskatchewan public sector pension funds and government agencies.

The Pension Fund holds 13.75% of the total shares outstanding in GCMI. In 1998, there were two classes of shares in GCMI and the Fund held 11.1% of Class A shares and 14.2% of Class B shares.

8. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government. These financial statements include transactions with these agencies and the Plan, a pension plan established by the Government of Saskatchewan. Related party transactions with the Plan are in the normal course of operation and are recorded at standard rates charged by these organizations.

a) **Administration**

Expenses associated with administering the Fund are paid out of the Fund to the Public Employees Benefits Agency Revolving Fund.

b) **Investments**

The pension fund holds $7,136,169 (1998 - $5,172,234) Province of Saskatchewan Bonds and Debentures with a yield of 5.4% (1998 - 6.9%). Investment income of $412,967 (1998 - $586,368) was recorded from the Province of Saskatchewan Bonds and Debentures.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

9. Investment Performance

The investment manager makes day to day decisions on whether to buy or sell investments in order to achieve the long term performance objectives set by the Pension Board. The Pension Board reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over 4 year rolling periods. The primary long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	Rolling Four Year Average Annual Return Balanced Fund	
	1999	1998
Plan's actual rate of return (a)	14.9%	14.9%
Target rate of return (b)	14.6%	14.6%

(a) The annual returns are before deducting investment expenses.

(b) The Plan's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Standard & Poors 500 US Stock Index, Morgan Stanley, Europe, Australia and Far East Index, Russell Canadian Property Index, Scotia Capital Markets Universe Bond Index, and 91 Day Canadian Treasury Bill.

The Pre-Retirement Fund was first funded on July 7. 1998. The actual rate of return for the Fund from July 7, 1998 to March 31, 1999 was 4.1%. The target rate of return over the same period was 4.5%. The target rate of return is based on the "All Governments" portion of the Scotia Capital Markets Short Term Bond Index.

10. Fair Value

For the following financial instruments:

a) receivables
b) cash
c) due from General Revenue Fund
d) administrative expenses payable, and
e) refunds, transfers and other payables
f) Due from Balanced Fund/Pre-Retirement Fund

the carrying amounts approximates fair value due to their immediate or short-term maturity.

The fair value of all other investments is considered to be market value, the determination of which is disclosed in note 2.

11. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.